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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
COMMISSIONER-CHAIRMAN
JIM IRVIN
COMMISSIONER
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COMMISSIONER

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DOCKET NO. G-00000C-98-0568

IN THE MATTER OF THE APPLICATION
OF CITIZENS UTILITIES COMPANY TO
AMORTIZE THE PURCHASED GAS
ADJUSTER BANK BALANCE

**NOTICE OF FILING
LETTER CONCERNING CITIZENS
UTILITIES COMPANY, SANTA
CRUZ GAS DIVISION, PGA
TARIFF**

Citizens Utilities Company hereby provides Notice of Filing a letter from Mr. Carl Dabelstein concerning the PGA tariff of Citizens Utilities Company, Santa Cruz Gas Division, in the above-referenced docket. This letter discusses, among other things, Citizens' plan concerning the miscalculated PGA bank balance and Citizens' customer information plan for Santa Cruz County concerning the new PGA mechanism. Various schedules and revised tariff sheets are also attached.

RESPECTFULLY SUBMITTED on July 15, 1999.

Craig A. Marks
Associate General Counsel
Citizens Utilities Company
2901 N. Central Avenue, Suite 1660
Phoenix, Arizona 85012

Original and ten copies filed this
15th day of July 1999, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 Copies of the foregoing mailed/delivered
2 this 15th day of July, 1999, to:

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6 Phoenix, Arizona 85007

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18 2828 N. Central, Suite 1200
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20 By: 

21 Carl Dabelstein
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Citizens Utilities Company

Carl W. Dabelstein, CPA
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July 15, 1999

Mr. Ray Williamson
Acting Director-Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Re: Docket No. G-00000C-98-0568

Dear Ray:

Pursuant to Decision No. 61225 (October 30, 1998) and No. 61701 (Dated May 13, 1999), Citizens Utilities Company ("Citizens" or "Company") and Santa Cruz Gas Division ("SCGD") hereby files with the Arizona Corporation Commission ("Commission") certain tariff pages, report formats, and other information necessary to implement the new PGA mechanism. Also included, as required by the Commission, is a plan to educate customers on the new PGA mechanism.

Two types of computational errors have been discovered in the manner by which the PGA Bank balance is periodically updated. Such errors are summarized on Attachment 4. The errors have had no effect on SCGD customer billing. Customers' bills have consistently reflected only the Commission approved basic service rates and PGA factors. The errors only affect the Company's financial statements.

Commission Decision No. 61225 requires that the PGA Bank balance be frozen and any over-collections be refunded to customers over a twelve-month period. Accordingly, on Attachment 5, the PGA Bank balance reported as of April 30th has been adjusted for the errors quantified in Attachment 4, and is then divided by actual sales volumes for the twelve months then ended to calculate the factor to be used for refunding the frozen, adjusted balance to customers over a twelve-month billing period. It is our intent to commence such refunding for bills rendered on or after September 1st. Such refunding will be terminated either when the refunding of the frozen balance is completed, or the end of the designated amortization period, whichever is earlier. To the extent any amounts have not been refunded at the end of the amortization period, such balance will be transferred to the new PGA Bank balance that will be created to accumulate over or under recoveries of the cost of gas beginning May 1999.

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Below, please find a description of each attachment supporting this compliance filing:

ATTACHMENTS

- **Attachment-1:** This attachment is the Special Rate Rider Tariff that sets forth certain guidelines governing the Purchase Gas Adjustment ("PGA") clause for the SCGD. This will be a new Tariff sheet for the SCGD.
- **Attachment-2:** This attachment is the revised tariff sheet N-15, replacing A.C.C. Schedule No. N-14. Historically, SCGD customer bills have not reported the PGA rate nor the resulting PGA billing amount as a separate line item. Accordingly, this basic tariff sheet listed the rates for the various consumption levels both with and without the Commission-approved PGA factor. This revised tariff sheet has expanded the rates information such that the applicable PGA factor and customer refund factor are explicitly indicated.
- **Attachment-3:** A schedule summarizing the effect on the PGA Bank balance of two types of computational errors made during the period August 1987 through April 1999.
- **Attachment-4:** A schedule reflecting the reported over-collected PGA Bank balance as of April 30, 1999, adjusted for the computational errors shown in Attachment 3, and the actual sales volumes (therms) for the twelve-month period then ended. Such data is used to compute the factor for refunding the "frozen" over-collected bank balance to customers over a twelve-month period.
- **Attachment-5:** A computation of the average cost of purchased gas for the twelve months ending April 30, 1999.

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EDUCATION PLAN

To educate Citizens Utilities Company's customers about the PGA mechanism, the Company intends to do the following:

- Provide bill inserts to all customers explaining the PGA mechanism and its purpose. This would be the same bill insert as was used for Citizens' Northern Arizona Gas Division earlier this year.
- Provide training to all customer service representatives so they will be able to respond to inquiries about the PGA from the public.
- Have written materials available in the Citizens' offices for the public.

If you have any questions or require further information regarding this filing, please contact Mr. Carl Dabelstein, Vice President, Regulatory Affairs - Citizens Utilities Company, Public Service Sector, at (602) 532-4424.

Sincerely,


Carl W. Dabelstein

Attachments

cc RUCO
Docket Control

CITIZENS UTILITIES COMPANYORIGINAL SHEET NO 101SANTA CRUZ GAS DIVISIONCANCELLING SHEET NO ---Applies to City of Nogales and Santa Cruz County**SPECIAL RATE RIDER****RATE RIDER NO. 1**

Purchased gas adjustment clause.

APPLICABILITY

Applicable to all sales rate schedules, unless otherwise specified.

CHANGE IN RATES

Sales rate schedules include a base cost of gas ("BCOG") of \$0.38940 per therm. In accordance with Decision No. 61225 issued by the Commission, a monthly adjustment to the BCOG will be made through a change in the Purchased Gas Adjustment ("PGA") rate, that is based upon the rolling twelve month average of actual purchased gas costs and sales. The Commission has limited the PGA rate change so that the new PGA rate calculated for the month cannot be more than \$0.07 per therm different than the PGA rate in effect during any of the preceding 12 months, unless authorized by the Commission. Additional Requirements are stated below.

BANK BALANCE

The Company shall maintain an account to assure that it will neither over or under collect, except to the extent authorized, as a result of adjustment in rates determined under the operation of this tariff. Entries shall be made monthly to reflect the amounts paid to suppliers for gas as recorded in the FERC series of accounts numbered 800 through 805, less the Base Cost of such gas (adjusted volumes multiplied by the Base Price) and revenues produced by the operation of this tariff and any other refunds or payments authorized by the Commission. Interest will be applied to over and under collected bank balances based on the non-financial 3-month commercial paper rate for each month, contained in the Federal Reserve Statistical Release, G-13, or its successor publication.

MONTHLY INFORMATION FILINGS

Each month, the Company shall make a cost of gas information filing that shall include gas volumes and costs by supply source; supplier refunds, credits, and billing adjustments; and lost and unaccounted for gas. Each filing shall include monthly sales revenue, volumes, and number of customers by class. The filing should also include historical summaries of actual 12 month purchase gas volumes, costs and sales activity to support the computation of the monthly PGA rate, in the format required by Decision No. 61225.

ADDITIONAL REQUIREMENTS

A special PGA review is required if the PGA bank balance reaches an over or under collection in the amount of \$250,000. The Company must file for an application for an adjustment within 45 days of completing the Monthly Informational Filing that illustrates the threshold has been exceeded or contact the Commission to discuss why a PGA rate adjustment is not necessary at this time. The Commission, upon review, may authorize the balance to be amortized through a pre-determined rate included as part of the PGA for a specified period.

Effective Date _____

Authority ARIZONA CORPORATION COMMISSION

Filed by Daniel McCarthy, Vice President and General Manager

Attachment No. 2

NATURAL GAS RATES

Citizens Utilities Company
 Nogales, Arizona
 Don McCarthy, Vice President

A.C.C. Schedule No.

N-15

Cancelling A.C.C. Schedule No.

N-14

GENERAL GAS SERVICE RATEAVAILABILITY

Available in all territory served by the Company in Santa Cruz County, Arizona.

APPLICABILITY

Applicable for general service of natural gas where service is for the exclusive use of the Customer.

RATE:	(A)	Refund	PGA Rate	Effective MM/DD/YY
		Amortisation Rate Per Therm (B)	Per Therm (C)	
First 4.53 Therms per month or less (previously first 500 Cu. Ft. per month or less)	\$7.02	(\$0.3758)	(\$0.0917)	\$6.55
Next 4.53 Therms per month; per therm (previously next 500 Cu. Ft. per month; per 100 Cu. Ft.)	\$0.9267	(\$0.3758)	(\$0.0917)	\$0.4592
Next 18.11 Therms per month; per therm (previously next 2,000 Cu. Ft. per month; per 100 Cu. Ft.)	\$0.6827	(\$0.3758)	(\$0.0917)	\$0.2152
Next 63.38 Therms per month; per therm (previously next 7,000 Cu. Ft. per month; per 100 Cu. Ft.)	\$0.5794	(\$0.3758)	(\$0.0917)	\$0.1119
Next 362.17 Therms per month; per therm (previously next 40,000 Cu. Ft. per month; per 100 Cu. Ft.)	\$0.5328	(\$0.3758)	(\$0.0917)	\$0.0653
All over 452.72 Therms per month; per therm (previously all over 50,000 Cu. Ft. per month; per 100 Cu. Ft.)	\$0.5094	(\$0.3758)	(\$0.0917)	\$0.0419

RATE ADJUSTMENT

The rates stated herein shall be subject to such adjustment as may be necessary to reflect any increase or decrease in cost to the Company of gas either generated or purchased above or below the base cost of \$0.38840 per therm.

RATE:Effective
MM/DD/YY

Minimum bill per meter, per month:

\$5.32

Notes: Minimum Bill = \$7.02 + 4.53 x (Adjusted Amortization Rate + PGA rate per therm)

EFFECTIVE DATE

- (A) These rates shall become effective for usage on and after August billings in accordance with Decision No. 55535, dated April 23, 1987.
- (B) This surcharge shall become effective for bills rendered on and after MM/DD/YY Workday-1 billings in accordance with Decision No. ?????, dated MM/DD/YY.
- (C) The new PGA mechanism and resultant PGA rates shall take effect beginning September 1, 1999, in accordance with Decision No. 61225, dated October 30, 1998.

Citizens Utilities Company
 Santa Cruz Gas Division
 Reconciliation of PGA Accounting

Period	Error Due to Use of Purchase Quantities for Base Rate Recovery				Error Due to Incorrect Gas Cost Conversion				
	Quantities Purchased (a)	Quantities Sold (a)	Difference	Base Cost of Gas	Under-Statement Error	Quantities Sold	Adjustment Factor (b)	Statement Error	Net Under/(Over) Statement
8/87-12/87	193,052	143,973	49,079	3.3804	165,907	143,973	0.5036	72,505	93,402
1988	526,214	476,102	50,112	3.3804	169,399	476,102	0.5036	239,765	(70,366)
1989	488,804	458,594	30,210	3.3804	102,122	458,594	0.5036	230,948	(128,826)
1990	538,155	498,511	41,844	3.3804	140,773	498,511	0.5036	250,043	(109,270)
1991	545,844	530,159	15,685	3.3804	53,022	530,159	0.5036	268,988	(213,966)
1992	568,519	544,259	22,260	3.3804	75,248	544,259	0.5036	274,089	(198,841)
1993	543,866	512,081	31,775	3.3804	107,412	512,081	0.5036	257,889	(150,477)
1994	612,768	532,439	80,329	3.3804	271,544	532,439	0.5036	268,136	3,408
1995	571,622	493,586	78,036	3.3804	263,793	493,586	0.5036	248,570	15,223
1996	438,037	500,293	(62,256)	3.3804	(210,450)	500,293	0.5036	251,948	(482,398)
1997						503,330	0.5036	253,477	(253,477)
1998						592,545	0.5036	293,370	(293,370)
1/99-4/99						284,862	0.5036	143,457	(143,457)
						6,058,744		3,051,183	(1,912,415)

(a) Dekatherms

(b) 3.8840 - 3.3804

Attachment No. 3

Attachment No. 4

Citizens Utilities Company
Santa Cruz Gas Division

Computation of Amortization Rate
For Account 191 (Bank Balance)

<u>Line No.</u>	<u>Description</u>	
1	Bank Balance (over-collected), per books at April 30, 1999	12,635
2	Correction of Computational Errors (Summarized on Attachment 4)	<u>1,912,415</u>
3	Bank Balance at April 30, 1999, as corrected (over-collected)	<u>1,925,050</u>
4	Sales Volumes for 12-months ending 4/30/99 (therms)	<u>5,121,859</u>
5	Refund Amortization Rate per therm (Line 3 divided by Line 4)	<u>\$ 0.3758</u>

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PGA ROLLING AVERAGE CALCULATIONS

COMPANY NAME: Citizens Utilities Company Santa Cruz Gas Division
 PREPARED BY: Anita R. Morera
 PHONE NO.: (504) 374-7505

EXHIBIT C

PGA ROLLING AVERAGE CALCULATIONS

LINE NO.	DATE	(A)	(B)	(C) (A) + (B)	(D)	(E) (C) / (D)	(F)	(G)	(H)	(I) (G) + (H)	(J) (I) / (J)	(K) (I) / (J)
		MONTHLY COMMODITY COST INVOICED	MONTHLY TRANSPORTATION COST INVOICED	MONTHLY TOTAL GAS COST	PURCHASED VOLUMES THERMS	COST PER THERM PURCHASED	MONTHLY SALES THERMS	12 MTH ENDING COMMODITY COST INVOICED	12 MTH ENDING TRANSPORTATION COST INVOICED	12 MTH ENDING TOTAL GAS COST	12 MTH ENDING SALES THERMS	12 MTH ENDING MONTHLY AVERAGE TOTAL GAS COST PER THERM SOLD
1	JAN 1999	\$200,307	\$24,076	\$224,384	1,060,090	\$0.208	901,960	\$668,712	\$258,652	\$1,255,740	5,357,042	\$0.2499
2	FEB	\$50,859	\$23,751	\$74,610	295,400	\$0.253	733,363	\$991,242	\$287,305	\$1,248,548	5,254,782	\$0.2415
3	MAR	\$11,282	\$23,877	\$35,159	70,820	\$0.494	601,460	\$927,537	\$285,529	\$1,113,166	5,695,712	\$0.1955
4	APR	\$58,357	\$24,859	\$83,228	365,650	\$0.227	611,810	\$818,347	\$283,613	\$902,160	5,121,839	\$0.1761